

Internationalisation of Finnish Technology Startups

Case: Goodwille Ltd

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<p>The United Kingdom is a large European market that offers vast market potential for companies that enter it. Finnish start-up companies are especially drawn to this market by the venture capital opportunities. A presence in the United Kingdom is necessary for companies that want to become truly international.</p> <p>The sponsor of the thesis is Goodwille Ltd., a British company that provides services to foreign companies who want to start or expand their business in the UK. Goodwille's newly set target group is start-up and growth companies. The aim of this thesis is to find out how to approach the target group in Finland while strengthening the company's market position in the country. Therefore, the research is limited to Finnish start-up companies and only on companies in the technology industry. The aim is to find out the potential of the target group in Finland and therefore provide a basis for the development of services on this market.</p> <p>The material was gathered by interviewing expert organisations for the theoretical section and target group companies for the research section. In addition to the interviews, key sources include publications of Finnish and British export organizations and various theories on internationalisation and market entry. The research was qualitative in nature and conducted through theme interviews; it was carried out in spring 2014.</p> <p>The results of the research indicate that Finnish technology start-up companies are not only eager to internationalize, but are fundamentally international and "born" global. The United Kingdom is not the main market for all businesses, or always a target market in any case. However, it is still an important market for Finnish technology start-up companies and they need support in order to succeed in it.</p>	
Key words Technology companies, market entry, market areas, internationalisation, marketing communications.	

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1 Introduction

Finland has an active startup scene and is trying to get profiled as one of the startup hubs in Europe. Finland is creating a brand that presents Finnish companies as international, innovative and reliable. Startup firms are usually “born global” which means that their products, management and strategy are created keeping the global market in mind. Startup companies in every sector in Finland need to concentrate on a market niche to be able to compete effectively against large corporations. Coming from a small, expensive, innovative country, it is easier for a company to become the market leader in a narrow area. For the companies that recognise and operate in a narrow market gap, the home market quickly becomes limited and the options are to stop growing or to expand abroad. The size of the market forces companies to aim beyond the borders of the country.

The United Kingdom is one of Finland’s most important trade partners. The main reasons for companies to establish their operation in the country is the large market and the tradition of being a passageway to other European countries and the rest of the world.

Leaving the familiar home market can feel intimidating to businesses. There are always risks involved and cultural aspects, language and differences in legislation can prevent from operating a business abroad effectively. The company might have to adapt their product into the new market due to customer preferences and competition. Internationalisation is costly and in the end, there is no guarantee of breakthrough on the new market.

Expanding into a new market involves a high cost and a great risk. The break-even point might be achieved in a period of time which average length varies depending on the industry and the entry mode chosen. Therefore, companies often turn to some form of external help whether it was investment, consultation or legal services.

The aim of this thesis is to find out about the target group in Finland. The focus is on startup companies that can be classified as growth companies, since they have a higher

rate of internationalisation than companies that do not seek rapid growth. As a conclusion to the thesis, an image of Finnish technology startups and especially their habits of expansion to the UK will be portrayed.

The client of the thesis is Goodwille Ltd, a British company that provides services for growth companies on the UK market to ensure their new or expanding operation runs smoothly and cost-effectively. The company recently made a strategic decision to target startup companies and especially the ones that receive British venture capital. Goodwille wants to expand their existing operation in Finland; therefore the thesis will provide market research for the purposes of a market entry plan.

1.1 Research Objective and Limitations

The objective of the thesis is to provide the client organisation, Goodwille, information on the internationalisation of Finnish startups, their interest in the UK market and their operations in the country. In other words, it is to describe the situation of the Finnish market within the target group. The research should provide Goodwille Ltd information that supports their expansion on the Finnish market. More specifically, the aim is to provide understanding that can be used in planning their marketing operations to the new target group of Finnish growth companies.

The client has no inclusive country plan for Finland, as they target all suitable size companies of all industries, leaving marketing actions untargeted. Finland as a market has not yet been properly assessed nor concentrated on and there is no marketing budget for the country alone. The Finnish prospects have been found a bit on the side, for example when targeting Sweden. Goodwille markets mainly to the Nordic countries, but also to other European countries and the USA.

The outcome of the thesis includes:

- Market research
- Evaluation of the target group and their internationalisation

In order to make the results as targeted as possible, the thesis concentrates on Finnish technology-intensive startup companies. Technology startups are the main target group of Goodwille, which are defined in its strategy. Because of the relatively small size of the market and the general startup culture in Finland companies are more likely to expand their operations abroad. The on-going recession encourages entrepreneurs to take their business abroad. Finnish ICT companies are more prepared to trade internationally than companies from other industries. (Yle Uutiset, 2010)

1.2 Finnish Technology Startups and Startup Culture

Startup culture is naturally concentrated in an environment where technology and knowledge are thriving. Finland has extensive education in technology and therefore is a natural hub for startup activity. English language skills, strong innovation and high-class education as well as high working moral of employees are an advantage for Finnish firms. (Joensuun tiedepuisto, 2013).

Finnish cultural features include high working moral, punctuality and a flat organisational hierarchy. (Salonen 2007, 146) The following trends have been recognised and they will continue to grow in the future of Finnish business (Salonen 2007, 234):

- The role of actual production diminishes
- New methods in product development are acquired
- Offshore and outsourcing grows
- The software industry grows, since it is unaffected by time zone or location
- Innovation (collaboration and finding areas of strength)
- Increasing competition in software industry comes from USA, India, and some European countries for instance the UK

In the future, both large and small companies need to become global. Value addition in the software industry comes from the software product, business models and service concept. (Lilius, 2005.) A startup is born international and a Finnish startup is born even more international since doing business in Finland is challenging already considering the small size of the population and scarcity of investment. Startup companies try

to be global either out of their own will or of the investors'. (Kuusela 2013, 51-52, 32-33)

Overall, startup activity is rapidly increasing in Finland, and the companies start looking for funding and new markets beyond the borders of the country from since they are established. The small size of startup companies imply that not all information regarding internationalisation can be held inside the organisation and they are forced to concentrate on their core functions leaving a need for additional information and services regarding international expansion. (Kuusela 2013, 51-52, 32-33)

1.3 Research Problem and Questions

The research covers the following aspects: level of interest of technology startups towards the UK market, reasons for choosing to enter and operate in the UK, strategy including market entry mode and operation mode and finally the budget and timetable for setting up an international operation.

Research Question:

Evaluation of the Finnish Market: How Are Finnish Technology Startups Established in the UK?

Sub questions:

- To what extent are Finnish technology startups interested in the market?
- What are the aims of the target group on the UK market?
- Which approach should be used when targeting Finnish technology startups?

1.4 Scope of Research

The research will be conducted as qualitative research. The thesis consists of theory and empirical sections. The theoretical frame of reference is based on previous re-

search, literature, articles, interviews and the media. The empirical section consists of research material gathered by qualitative methods, which are mainly interview.

The interviews need to provide extensive material that represents a large cross-section of the target group; therefore a variety of professionals will be interviewed limiting them to representatives of Finnish technology startups and organisations that support internationalisation in Finland. These organisations can be either private or public. The interviews of export organisations will be integrated into the theory part of the thesis that precedes and supports the research.

The sufficient amount of interviews for the purpose of the thesis is six. The saturation was reached after six completed interviews, since the same themes could be clearly identified and no crucial new discoveries were made any longer. The number of the interviews is large enough to introduce different angles to the thesis and to base conclusions on. Two organisations are for a comprehensive view on the industry and six company representatives are interviewed in addition for more detailed information and in-depth reasons behind decisions. The interviews will be organised in advance and they will be conducted person-to-person or, when not possible, by phone and teleconference tools. All interviews will be recorded with the permission of the interviewed person.

A semi-structured interview is a theme interview where the frame of the interview is structured by a pre-determined set of questions that prompts discussion. Both companies and organisations can be interviewed using, in general, the same questions as a frame; only the width and content of the answers will vary depending on the organisation type. Organisations have a vast view of the whole industry and company type while companies have an in depth view of their own strategy and functions. (Evaluation Toolbox, 2010)

The use of the qualitative method is justified because the interviews do not limit the respondent to pre-determined answers like a questionnaire would. Also, it would be hard to reach the key people of organisations with a request to fill in an electronic

form. Presumably the response rate would be quite low and the width and depth of the answers would not be sufficient for the purpose of the research.

1.5 Structure

First, the client company and their target will be presented. Secondly, the Finnish startup scene and culture is introduced to the reader. Thirdly, the focus is on how, when and why Finnish technology companies expand to the United Kingdom, what problems they face and where do they search for help and support. After the introduction of the research and presentation of its results follow the conclusions. Based on the conclusions the market and target group is presented as it is and a strategy on market-entry and marketing is suggested.

1.6 Central Vocabulary

Growth Company

OECD and Eurostat define growth companies as follows: A minimum of 10 employees, employment grows 20% each year for three years in a row. (TEM 2012, 10)

Fast Growth Company

OECD and Eurostat define fast growth companies as follows: A minimum of 10 employees, the number of employees grows 100% each year for three years in a row. (TEM 2012, 10)

Startup

Startups are typically young companies that aim for fast growth and internationalisation and are often funded by risk investment. (Lajunen, 2014).

The definition of a startup company is very broad. In the thesis the term will be defined according an article published in Talouselämä in 2014. The company needs to be

five years old or younger with a turnover less than 10 million. In addition, they need to fulfil the conditions of a growth company. (Lappalainen, 2014)

Technology Industry

The definition according to Investopedia: A category of stocks relating to the research, development and/or distribution of technologically based goods and services. This sector contains businesses revolving around the manufacturing of electronics, creation of software, computers or products and services relating to information technology. (Investopedia, 2014)

Market Entry Mode

Foreign market entry mode is the decision of how to enter the market and can have a significant impact on the results. Expansion can be achieved via exporting, licensing, joint venture or direct investment. (QuickMBA, 2010)

2 Goodwill – Making Business Easier

Goodwill is the client company of the thesis that operates in the United Kingdom and focuses on bringing foreign businesses to the UK. The company is looking to increase its market share in Finland.

The client company offers services for market entry and expansion in the United Kingdom. They describe their core function as follows: “For over 15 years, we have been helping British and foreign companies to set up and grow their businesses. Through our complete outsourced administration solutions, we deliver a range of services that support the smooth launch and successful on-going operations of high-growth companies.”

The Goodwill services described on the company website include (Goodwill, 2014):

- Corporate legal & Company secretarial
- Financial administration & Reporting
- HR & Payroll
- Benefits, Insurances & Financial planning
- Virtual office, Personal Assistant and meeting rooms
- Client support services
- Our Network

2.1 Brand Refresh and Shift in Market Positioning

Goodwill needs a country plan for Finland since there has been a shift in the corporate strategy. The target group focus shifted from European companies to all, including British, growth companies. During 2013, Goodwill recruited a new Managing Director and merged its daughter company Enlink into itself. The merger led to a complete brand refresh.

The new strategy has initiated to promising cooperation with British venture capital firms and associations and Goodwill would like to know if the strategy could be ap-

plied overseas. The thesis will consider similar possibilities for cooperation in Finland. In Britain the venture capital firms collaborate by offering Goodwille's services to their portfolio companies.

2.2 Importance of Market Research in Market Entry

It is important to research the market before entering it to understand whether there is a need for the product or service and how it is best introduced to the market. The thesis will evaluate the market on three levels: country, industry and individual companies. Individual companies consist of the target group, but can be easier accessed by looking at existing clients and prospects that belong to the target group.

Market research can be conducted for many reasons (Government of Australia, 2014):

- Identify potential customers
- Understand existing customers
- Set realistic targets
- Develop effective strategies
- Examine and solve business problems
- Prepare for business expansion
- Identify business opportunities

The Government of Australia explains why market research is important on their website: "Successful businesses conduct research on a continual basis to keep up with market trends and to maintain a competitive edge. Regardless of whether you're starting or expanding your business, market research is vital to understanding your target market and increasing sales." (Government of Australia, 2014)

3 Finnish Technology Startup Companies in the UK

Finnish companies had more than 4600 subsidiaries in 119 countries in year 2011. Calculating with the amount of foreign employees (585 000 persons) the operation of Finnish companies concentrates in Europe and Asia. 31.7 of the personnel is inside the EU excluding Finland. The largest industries in EU 15 countries are, measuring by the number of personnel the machine and metal industry and the paper industry. (Suomen virallinen tilasto (SVT), 2014.)

Foreign direct investment of subsidiaries is 3.9 billion euros in gross. Out of all investment made, 68% was inside Europe. Largest single industry represented was the paper industry. Largest investment in a single country was Sweden with 638,3 million euros. Total turnover of Finnish subsidiaries abroad was over 171,2 billion euros of which 43% was made in the EU 15 countries. (Suomen virallinen tilasto, 2014.)

Usually companies that invest abroad are large because foreign direct requires financial capital and corporate specific capital, which can be special managerial, marketing or production knowledge. (Nevala 2001,14-15.)

Finpro is the national trade, internationalization and investment development organization in Finland. There is no exact number, but yearly around 100 companies work together with the organisation with projects that are related to the UK. (Eriksson, 8 Jan 2014.)

Reasons behind internationalisation of businesses can be high duties, availability of raw materials and savings in transportation. The domestic market grows smaller the more the company grows encouraging companies to internationalise. In the end, the most important reasons for a Finnish company to internationalise are strategic: improving the positioning on the market. Finnish companies internationalise horizontally, which means that the company produces the same product or service internationally as they do on the home market and do not enter new industries or seek further refinement for the product or service. (Nevala 2001, 13, 14-15).

The number of growth companies especially among SME's has been low in Finland. This can be explained by unwillingness to grow because of negative cautions of growth such as growth of the entrepreneurs work load and risk. In addition, a larger company is more difficult to control and recruiting can have negative implications in management and work atmosphere. The course is changing and the amount of startups that are potential growth companies is increasing. Events such as Slush, the event for Eurasian startups and tech talent to meet with international investors and media, form a strong base for the startup community and more events related to startups will be incubated. The change with the attitude towards startup community in the next 3 years will be notable. (Vahvaselkä 2009, 31; LeDain, 17.2.2014)

A large portion of startups are interested in internationalisation. Fundamentally all startups have plans for internationalisation and if they don't become international they remain a small and medium size enterprise, since growth stops. The Finnish market is small and critical mass is reached fast on the domestic market. Many startups still start operating on the Finnish market but in order to grow they need to expand internationally. All startups are not growth companies but all growth companies have been startups. Growth companies increase their client base periodically until they reach a mass that interests venture capital. There has been a fundamental change in the last five years: companies are born global. They don't necessarily even want business in Finland and they decide to go global immediately. (Lehtovuori, 14.2.2014; LeDain, 17.2.2014)

Pricewaterhouse Coopers works closely with startups in Finland. They estimate that only a small percentage, 5-10%, of their clients are working on a project related to entering the UK market. During the first few months of 2014 Lehtovuori himself has worked with three startup companies of size 10 to 15 employees that are setting an office in the United Kingdom. According to him, the German market seems to be a more natural choice for the Finns: it is larger, culturally closer and the style of doing business is similar. (Lehtovuori, 14.2.2014)

LeDain from Finpro works mainly with Finnish technology companies that are interested in the UK market. In 2013, he worked with 19 technology companies out of

which seven companies were startups. In addition there was one a multi-company project with 12 companies of which eight companies were startups. Companies need to apply to the government program to work together with Finpro. (LeDain, 17.2.2014)

Companies that enter the UK market represent different industries and fields. Companies on the media, marketing and advertising field come to London since it is the centre of the industry. Finnish companies with consumer products such as mobile applications are very interested in the market, but also companies from other fields and industries do enter the market. (Lehtovuori, 14.2.2014). Finnish technology companies from the digital media field are especially interested in the UK (LeDain, 17.2.2014).

Companies have different plans and motives for internationalisation and entering the UK market. They are often related to getting investment and growing the client base or building an international business. Startups search for investment especially from well-known venture capital firms in order to get visibility in the media. Both the UK and USA have vibrant investment communities. All technology startups do not consider Europe as a potential market-area but direct their operations to the USA or Asia. Generally Finnish companies seem interested in the USA, Germany and Asia depending on the industry and type of business. On the other hand, LeDain has noticed that UK is very popular to the Finns due to language, culture, opportunity and size of market. (LeDain, 17.2.2014; Lehtovuori, 14.2.2014)

4 Internationalisation

Today in Finland it is necessary to internationalise because of the limited home market and low purchase power. Marketing to a small group of people requires that every member of the group can buy the product. The direction on the open market has been the contrary, favouring individual and differentiated products. The only options for companies are to stay on the diminishing home market or to internationalise. The fact that internationalisation has become essential and at the same time possible can be blamed for globalisation, the European single market and efficient communication due to the Internet. (Pirnes 2002, 89)

The reasons why Finnish companies want to internationalise can be looked at from two perspectives. Push-forces are the domestic market forces that cause pressure to internationalise. Pull-forces are the foreign market forces that cause pressure to internationalise. These forces can be studied on three different levels: country, industry and company levels (Rintala 2001, 8)

Push-forces (Rintala 2001, 8):

- Small home market
- Openness of the Finnish market (foreign companies challenge the Finnish companies in their domestic market)
- Peripheral location

Pull-forces (Rintala 2001, 8):

- Large external market and openness of host country

Company specific advantages of internationalisation (Rintala 2001, 8):

- Economies of scale. When unit cost is closely related to amount manufactures, bigger market creates an advantage. Large need of financing.
- Specialisation. The small home market is not large enough for a specialised product.
- Global alternatives

- Integration

What are the reasons for some Finnish companies to choose the UK market instead of other foreign markets? Firstly, the United Kingdom is one of Finland's most important trade partners. The British economy is open and the government supports foreign companies in settling to the UK with its tax policy and support packages. The labour expenses are lower than in Finland and various other EU countries. Finns have very little problems with understanding English language and finally, Britain is a large market that has traditionally been thought of as a route to the rest of the European market. (Nevala 2001, 16 & 46)

Motives for internationalisation vary a lot depending on the company's industry and company type. Some companies have better preconditions for internationalisation than others. Motives for internationalisation can be new opportunities for growing business, need for new markets, the nature of the business, reaction to impulses, a more efficient way of doing business and the motives of the management. (Pirnes 2002, 89) Also, a company might have a shortage of resources, for example employees, on the home market, and in order to speed up the launching of a product they search for resources outside the country or give up the idea of growth. (Salonen 2007, 39)

Expansion to new markets creates a need to learn about the areas. (Pirnes 2002, 90). After the evaluation of resources for exporting, follows market research. The country and target group are scrutinised carefully. After finding information of the target country, the budget and timetable are set. (Pirnes 2002, 94.)

In addition of learning about the market area it is important to evaluate the risks related to operating on the specific market. During the first years export requires more investment than what it generates. This includes initial investment like market research, sales promotion materials, travelling costs and marketing such as exhibiting. On top of financial risks there are country risks such as politics and business risks such as background and credit information of clients, contracting techniques, following conditions of contracts, billing, collection, currency risks and juridical environment. (Pirnes 2002, 92, 100)

Being a part of business networks lowers operational costs and increases efficiency. A small corporation can achieve some of the advantages of global mass production by networking. Innovations in organising the business are important. This requires cooperation with other companies, service providers and suppliers. (Pirnes 2002, 90). Knowledge-intensive businesses grow through growing their networks. Effectiveness of networking is the core on the global market. In knowledge-intensive and networked companies the need for distributors decreases while the number of people who handle information grows. Providing added value is a strategic way to succeed in a global environment together with diminishing expenses. Value addition can be provided to clients by for instance with superior client service. (Pirnes 2002, 121- 123.)

The thesis investigates especially the internationalisation of technology startups which are often knowledge-intensive businesses. The products and services of knowledge-intensive businesses are produced, distributed and consumed in an electronic form. Therefore, fast client-producer communication that is not dependant of the time of the day needs to be enabled. This means that a Finnish company should consider having a support function in the UK for better client service. Unlike traditional companies, the costs of logistics and acquiring clients in a knowledge-intensive company do not elevate when distance grows. As a result, the size and wealth of the company become insignificant and its market becomes infinite when physical presence is not mandatory. (Pirnes 2002, 119-120) The developed technology enables participation in international activity without big investments and a physical office abroad. (Salonen 2007, 118)

When internationalising, it is good to be aware of what is happening in the world. They affect the strategy and through that competitiveness. Most mistakes in exporting are made when facts are not observed or are disregarded. Internationalisation is a tough process. If it done right, there are no limits. Finnish companies should aim to see the world beyond the borders of Finland. (Salonen 2007, 27 & 31) Internationalisation and growth demands large steps from the entrepreneur and management of the company. Finland is not the centre of Europe so when we want to do international business it involves travelling by airplane. (Salonen 2007, 129)

Traditionally Finnish companies usually follow a certain pattern for international expansion. Companies start with the closest market, Sweden, following with operations in Norway or Denmark. After this they aim to the rest of the Europe, often The Netherlands, Germany and France. Starting with market areas close to the home market is in fact as hard as other approaches, unless it is well justified. The same level of difficulty and risks are involved. (Salonen 2007, 51)

The Finnish ICT-technology is affected by change in markets and the global world. The turnover of the industry in Finland was 6.4 billion in 2014 (Viitasaari, 2014). ICT-companies are owned by the founder and his family (68%). Only 6% is owned by a private investor. (Salonen 2007, 81) Shortage of venture capital is the largest restrictor of new ICT-businesses been born and it restricts their internationalisation.

Usually an internationalising Finnish company has been profiled as a growth company, so the motive of going abroad is growth. The significance of motivated management is non-deniable. If the management is uncertain and hesitates, a promising opportunity to enter for example the UK can be left unused. In the end, the level of commitment of the management is significant. In one case, there was a chance to acquire a client on the UK market but the management hesitated and the company lost the chance. (Salonen 2007, 130.)

Many technology startup companies in Finland are born global. A born global company is born to become global and therefore the strategy, products and management are built to be international. The founders are usually inexperienced and innovative or they have wide international experience in international firms. Some Finnish companies never consider internationalisation and aim only for the local market, but these are rarely startups but older SME's. Often a startup can be considered born global because they are searching for international investment but they do not necessarily have international activity. Born global companies need a business model and a product or service that supports their intention and works globally. (Lehtovuori, 14.2.2014)

There are certain patterns for geographical development. Traditionally the firm tests the viability of its actions and products in the domestic market, but today companies

from innovative industries such as information technology take immediate actions in internationalisation, which means that they are born global company. For born global companies the customers and competitors are located worldwide and the whole world acts as a marketplace. Thus geographical and cultural barriers fade. (Saarinen 2001, 7; Czinkota-Ronkainen, Introduction; Salonen 2007, 122 & 133). Born global companies begin exporting activities within one or two years of business. They tend to export at least a quarter of their production. They are small manufacturers with an average of annual sales below 100 million dollars and a result of active entrepreneurs or breakthrough in technology. (Saarinen 2001, 7-8)

The attitude of the company and their product development matters. The company needs to consider how well they understand the requirements of international product development and have English language skills and sufficient understanding of international marketing and communications. Marketing communications hold a critical role in international success. Some Finnish managers are very international while others only have international experience from their holidays abroad. It is very common in Finland that the company boards are chosen based on friendship and even keeping in mind that the board will not cause any problems to the CEO or owner of the business. The board's role is to give an opinion on the internationalisation strategy: the target markets, budget and exit, in other words how fast the ownership is handed over to the investors. The management always has an impact on a company's chances of internationalisation. (Salonen 2007, 162-163)

4.1 Requirements for internationalisation

In international comparisons technical innovation and operation conditions are a competitive advantage for Finnish companies but the will and ambition to internationalise do not necessarily correlate. Studies show that the ability of Finnish companies to grow is weaker than the ability to innovate. (Ryynänen, 2004)

The basic requirements for internationalisation are, not size but five other factors: products, entrepreneur, clients, resources and operational environment. In addition view and understanding of international business matter. (Pirnes & Kukkola 2002, 96)

Before starting to export companies should assess the requirements of exporting placed on the company and the product: the business idea, efficiency, specialised knowledge, the benefits provided to a client on the international market, resources and innovation. Is the product suitable for export and what are the economic and mental resources of the company? Available resources determine how successful internationalisation will be. Resources can be measured as value of business idea, financial resources, employees, ability to meet market demands and external help. (Pirnes & Kukola 2002, 94 & 96)

In order to reach effective marketing on an international level the companies need to assess the following factors: (Doole; Lowe, 29)

- Culture
- Markets
- Data – difficult to obtain and often expensive
- Politics
- Economics
- Finance – differing finance systems and regulatory bodies
- Currency – varying and unstable - transaction risk
- Business – diverse rules, culturally influenced
- Control – difficult to control and coordinate across markets

Suomen Yrittäjät explain the requirements of international business: “Establishing a successful business operation requires that businesses are aware of central differences of functions. Also, understanding of the requirements of international trading and actions regarding starting and running the operation is crucial.” Starting international trading leads to changes in the company’s need for funding. If the funding is not available or sufficient, it causes delays and obstacles for internationalisation. (Suomen Yrittäjät, 2013).

4.2 Stages of internationalisation

Internationalisation consists of four stages: domestic marketing, experimental involvement, active involvement and committed involvement. (Doole & Lowe 1997, 240.)

“Internationalisation is not a gradual incremental process but requires a substantial step change by companies” (Doole & Lowe 1997, 163.)

Levels of internationalisation (Doole & Lowe 1997, 163):

- Domestic marketing
Company is only involved with the domestic market.
- Experimental Involvement
Company has low commitment on foreign markets. Company opens a wholly owned unit in one or just a few markets.
- Active Involvement
Company experiences further but expands slowly.
- Committed Involvement
All opportunities have been explored and growth continues to new geographical locations.

4.3 Motives and barriers for internationalisation

Growth is not possible in Finland in a long run. The gaming industry has a lot of knowledge and know-how that other growth companies want to reach. Although a good model for growth, the gaming industry is marginal trend industry in Finland and needs to develop. Many growth companies aim for a scalable business model that does not cause significant costs when the business grows. A company with digital services and products can expand rapidly.

Nowadays Finnish people are located all over the world and companies have started to use increasingly the support of Finns abroad. A Finnish reference from abroad can help getting investment. A Finnish business advisor with contacts in London can be a reason to go to the UK. In the end, business is largely based on coincidence and especially young companies tend to take their chances when an opportunity arises.

(Lehtovuori, 14.2.2014)

Funding is one of the most important reasons that drive early stage startups abroad. Venture capital is mainly sought for from the UK and the USA. Private investors are not that active in Finland leaving government institutions as the most important national source for funding. Companies like Rovio and Supercell act as catalysts that increase the activity of Finnish investors. (LeDain, 17.2.2014)

Although internationalisation seems like an attractive option, companies confront problems regarding internationalisation. There are geographical challenges in direct sales since it is expensive to have an office abroad and corporate management often knows the target country poorly. Channel sales are more affordable but a channel partner wants to see references. Finnish client cases do not work in the USA.

(Salonen 2007, 183-184, 188)

Other problems are caused by psychological factors: lack of courage and ambition. Companies think that they are ambitious until it is time to pack the suitcase and work systematically for the purpose of internationalisation. Finns are generally risk averse and want to keep risks to the minimum. The actual internationalisation may only start after the product is fully developed and perfected. Languages, culture, competition and regulation can all act as barriers. Internationalisation requires commitment. It is not sufficient to visit the target country a couple of times. Commitment signifies a local process and systematic work. (Lehtovuori, 14.2.2014; LeDain, 17.2.2014)

According to Lehtovuori a growth is composed of (Lehtovuori, 14.2.2014):

1. High ambition
2. Recognising the industry's trend or megatrend and creating a vision
3. Systematic operative developing toward the vision

4.4 Motives and barriers for operating on the UK market

The number one reason for going to the UK is investment. London is a centre of investment. For some companies that aim to enter the market in the USA it makes sense to enter the British market since it acts as a reference linguistically and culturally and

can be used as a stepping stone. The British market is not the largest in the world but it draws businesses since it has European headquarters of international companies and it is the centre of finance. The USA is a difficult market for various reasons and many entrepreneurs want to expand there because of personal reasons, availability of investment and size of market without relying on facts and thinking it further. Britain would be easier on many levels. Compared to areas outside Europe the European Union allows a simple operation model with great mobility. The largest startup community of Europe is in London and it can be compared to Silicon Valley, Boston and New York. (Lehtovuori, 14.2.2014)

USA is an intriguing market but the experiences of Finnish technology-intensive startup companies from the market are discomfoting. The fabled Silicon Valley is the most expensive area in the States, a position held together with Boston. Setting up a business there requires funding. (Salonen 2007, 56)

Culturally the UK is a nice place for Finns to do business. The attitudes, business culture and mentality are similar and lead to mutual empathy. Finns speak English very well. The UK is a safe and risk-free environment politically which suits risk-averse Finns. The market is massive measuring in number of people. It is mature when it comes to technology. The downside is that it is hard to break through onto the market where there are many competitors. Although the market is big, distances are small making it easy to travel inside the country. Other large markets such as the USA, China and Russia are geographically vast and have time differences and cultural differences, maybe even different legislation. (LeDain, 17.2.2014)

Not all startups see Europe as a potential market, depending on their industry and business model. Competition in the UK is hard in comparison to the size of the market which makes it not always worth the effort. Especially within the technology industry it is hard to break in the market (LeDain, 17.2.2014). The UK, as the whole of Europe, is quite a conservative market. (Lehtovuori, 14.2.2014)

Although otherwise a costly location, startups benefit from setting up in the centres for startup culture in the USA such as Silicon Valley, Boston and New York. The areas

have a large client base of early adapters. Even large companies try new products and services open-mindedly to keep up with development. In Europe, a startup can struggle to get reference cases. Lehtovuori estimates, that funding is over 90% easier to get from the USA if there company is a legal entity since it decreases the risk of investors. It is not hard to set up a company in the United States. Within Europe, it is easier to operate on foreign markets without forming a legal entity since legislation is the same in all countries.

The main reason for Finnish technology startups to expand to the USA is the Silicon Valley that is considered to be the centre of development and innovation. There are several large problems that are hard to overcome in the United States. Three different time zones inside the country cause problems of where to set up your business in the country. The cost level in the West Coast, New York and Boston is extremely high. And finally, especially after the year 2001 American companies prefer American technology and to do business with nationals. It can cause issues for European companies to do business in the country. (Salonen 2007, 159 & 174)

Everyday problems faced on the market when the decision to enter the market has already been made can as well be confronted with professional business services. In one case the Finnish company operating in the UK faced problems within the following aspects (Nevala, 2001):

- patents, trademarks, design rights, and copyright
- taxing
- properties, rental agreements, fixed assets
- company board
- company employees
- audit of the accounts
- insurance.

4.5 Funding

Startup companies aim for fast growth and international success. Fast growth can be achieved with investment. Despite all the media hype around the subject, Finnish

startup companies have difficulties in finding initial investment. Usually, a pattern seen where startup activity evolves, investors will grow interested in funding these companies in a larger scale after a phase of media attention. Therefore, today's setting might be changing and national investment becomes more easily available. (Kuusela 2013, 51-52, 32-33)

Initial external investment for startups comes from angel investors, business accelerators or public parties. The best way to measure business culture is the scale of angel investment. In Finland this type of investment is low-key and there are only for organisations for angel investors with 450 members. The largest one is Finnish Business Angel Network. (Kuusela 2013, 51-52, 32-33)

For the company to be able to start internationalisation, the economic situation of the company needs to be stable. Often extra funding is still required. Internationalisation increases the need for funding but at the same time opens doors to funding possibilities. (Pirnes & Kukkola 2002, 158-159):

Funding is needed for example for investing and working capital (Pirnes & Kukkola 2002, 158):

- Need to adapt the product to the requirements of foreign clients
- Marketing
- Acquiring and using representatives or building own distribution and sales channels and other maintenance costs
- Lower capital turnover rate
- Risk management

The capital turnover rate can be lower because of payment culture: the buyers increasingly arbitrarily lengthen the term of payment the further we move from Finland. In the UK the term of payment is 1.5 – 2 months and the process of paying takes twice as long (Pirnes & Kukkola 2002, 167)

Lack of available investment is one of the largest problems of the Finnish technology industry. (Salonen 2007, 133) Venture capital is a small business in Finland. Supercell and Rovio act as references worldwide and draw international venture capital. Finnish venture capital funds are small but growing. Business angel activity (pre seed investment) has increased enormously but the major role in startup funding is still held by TEKES and other government support. (Lehtovuori, 14.2.2014)

A Finnish investor does not necessary fund internationalisation and if they do the amounts are quite small. Two to three millions will not be enough for explosive expansion on a foreign market. To solve the problem Finnish startups might consider setting their headquarters in the USA, or wherever they choose to apply for investment, while keeping product development in Finland. Investors from the USA are rarely willing to invest in a Finnish company even if they have headquarters in the USA. They are affected by uncertainty and unawareness of the Finnish law. There are loads of investment targets and uncertain targets are eliminated. (Michael McGrath in Salonen 2007, 82; Salonen 2007 84 & 107). While American investors can be hard to persuade, the United Kingdom is the world centre of finance and investors are more eager to invest since distance is shorter.

Crowd funding is a non-traditional way of funding that can fund internationalisation. In Finland there are legislative and technical difficulties in crowd funding but it could be an option for traditional funding in Europe and the USA. (Lehtovuori, 14.2.2014)

In the USA companies are founded to make money to their owners and therefore the owners are ready to let go of their companies. In Finland entrepreneurship is seen as a lifestyle and when investment is discussed with a newly established company involving giving up ownership, a Finnish entrepreneur finds himself in a hard situation. Another problem for internationalisation is lack of international know-how in businesses. Often someone inexperienced is chosen to lead the firm. (Salonen 2007, 133)

A good example of searching investment in the UK is Finpro's delegation of game companies who went to London to meet with an investment audience. The companies

received a good reception and five of them returned later on to negotiate with the investors. None of these companies had a UK presence. (LeDain, 17.2.2014)

As a conclusion, the possibility to succeed globally depends on investment and recruiting the right people. Finnish investors usually invest in a company that is based in Finland while American investors do not readily invest in a company based in Finland. Usually the only option is combining Finnish and other European investment. (Salonen 2007, 133&239)

5 Strategy: How do companies expand to the United Kingdom?

Internationalisation can be looked at from different angles. Strategy and strategic decision-making adapts the operations of an organisation to its surroundings securing long-term competitive advantage. According to the industrial organisation model, the success of a company can be explained by the environment. According to theory of growth, internationalisation is the company's growth strategy; therefore strategic orientation is a precondition for international growth. Growth depends on people, so management has a central role, and is affected by the environment. The systems theory regards internationalisation as a system formed by the company's operations and the operational environment. (Vahvaselkä 2009, 19)

Faces of planning international operations are the following: brand market and client analysis, SWOT or strategic options, strategy including vision, mission and goals and finally the implementation of strategy including operative planning, budgeting, creating a management culture and organisation structure. (Salonen 2007, 88)

The contingency theory is derived from the systems theory and is used to explain which inner and outer factors international success depends on and for example what kind of marketing measures are sufficient for success. Internationalisation can be viewed as a learning process that leads to internationally expanding operations. The behavioural theory supports the view. According to it information and information sources change when internationalisation proceeds further. Slow expansion can therefore be explained by difficulty to learn, insecurities non-rational behaviour. (Vahvaselkä 2009, 20)

Internationalisation can also be seen as a process of learning and evolving. Internationalisation develops from simple undeveloped operations to local nearby markets towards complicated, advanced operations that involve direct investment and distant markets. Finally, the resource-based model views internationalisation as resources and their development. Internationalisation is a process of gathering, mobilising and developing resources for international operations. The network model sees a market as a

network of relationships between companies. Business relations are seen as crucial for internationalisation. (Vahvaselkä 2009, 20-21)

Internationalisation requires companies to adopt more evolved methods of operation in productiveness, quality and client service (Pirnes & Kukkola, 2000). POM strategy comes from the words product strategy, operation strategy and market strategy. It is a global strategy that answers to questions what, how and where. (Luostarinen, 1994, 12-13) The objectives of the POM strategy are to (Martsolf.com, 20):

- Lower costs
- Disperse manufacturing activities to efficient global locations
- Increase productivity
- Total Quality Management
- Accommodate demands for local responsiveness
- Decentralize production
- Respond quickly to shifts on customer demand
- Time-based competition extremely important

Finnish companies have challenges especially regarding sales and marketing. They are innovative but don't put effort into marketing and improving the sales channel of the innovation. Therefore it is hard to gain credibility and the trust of different actors. (Salonen 2007, 173)

Client acquisition works best with networking events and thousands of cold calls. The sales cycle in ICT is often six months, which is the time for bringing in a new client. (Salonen 2007, 186)

Establishing on a new market-area is a risky process. Market entry is worth testing before larger investment is made. Testing includes investigating the market and reporting the findings. If there is a need for the intended product or service on the market it is typical to acquire a few clients that work as a reference when searching for channel partners. Choosing a sales channel is an important strategic decision. Managing sales on a foreign market is challenging for cultural reasons. The number of potential clients

is easily overestimated. (Salonen 2007, 210-212.) Many businesses go abroad with little or no justification for the move and they think that there is no competition. (Salonen 2007, 88)

Choosing a partner strategy is a process. Partners can be volume oriented or value oriented. The first partner sells in large batches to key clients and large companies. The latter partner is a local consultant that sells knowledge in addition to the product. Partners can also be service and support oriented selling only services and support for deployment and use or solution partners that sell the whole solution that includes products from different suppliers. (Salonen 2007, 79 & 213-214)

In this example the company's primary market is in the USA and the secondary market is in Europe, more specifically Western European countries and Scandinavia. The plan is to enter Europe in first phase of internationalisation because it is assumed that largest potential international customers are headquartered in these countries. (Saarinen 2001, 19)

The global strategy includes choosing markets for operation. It is worthwhile to create a working process and base decisions on facts. Companies should consider where their business model would work, where the centre of the industry is and where the clients could come from. After deciding which market to pursue, the next step is to test the market for example by arranging client meetings and attending events. Companies in very early phases have hardly resources for outsourcing the market research unless they turn to TEKES, Finpro and other government parties who either help conduct the research or fund outsourcing it. Country choices might be based on emotional factors and first hunches instead of scientific facts: the UK is safe, the USA is vibrant, China has high growth potential, Russia is a historical trading partner and Sweden is a neighbour country. Market research plays an important role and helps urge analytical decisions. Usually strategies are well thought and the issue is acting on the decisions and travelling abroad. (Lehtovuori, 14.2.2014; LeDain, 17.2.2014)

Market research has its place in strategic planning. The influence of cultural differences on marketing needs to be considered. Finnish companies are recommended to utilise

information search offered by organisations like Finpro, Employment and Economic Development Office (TE-keskus) and Chambers of Commerce as a part of their market research. The aim of market research is to find out potential outbound markets. (Pirnes & Kukkola, 143.)

As a conclusion there is a number of critical success factors (LeDain, 17.2.2014):

- Investing in marketing
- Investing in right type of partner (trust, empathy, training, support)
- Value proposition: getting the story right
- Cost saving and efficiency

Disregarding any of these can lead to failure.

5.1 Market Entry Mode and Operation Mode

An operation mode is how the company best makes their products or services available to the client. The best operation mode is the option that allows utilising the company's competitive advantage to the full. The market entry mode is chosen after careful reflection of the market and strongly affected by available funding and ability to tolerate risk. (Salonen 2007, 77 & 172) The mode depends on the industry, the size of market and the number of employees (LeDain, 17.2.2014).

Approaching to international markets (Salonen 2007, 139):

- Opportunistic approach is about going to the location and trying to create business by creating contacts. Usually the results of this approach are the worst of all approaches. People usually avoid doing business with someone they do not know.
- Buying a business from the target market or partnering up. Working with a partner that is unfamiliar and who does the same thing as you includes a risk but when the approach is successful, growth is significant.
- Building your own organisation is the most expensive alternative and as well more slow and risky. It is a suitable approach only if there is funding from an equity investor or other party that can afford to take risks.

The last approach requires input such as training and external consultants which helped the software firm Codemnicon to succeed. A down side to the approach is that if the parent company is responsible for the operations of the daughter company in the UK it is responsible for the failures as well, also financially. Mistakes often made with this approach are related to recruitment, understanding the market and taking a financial risk.

Building directly a sales organisation on a large market like the UK is not sensible even for a listed company. The only way of expanding for many Finnish companies is building a network based on retail. The operation mode of the majority of Finnish companies is exporting. (Salonen 2007, 75 & 174)

There are companies classified as startup also among industrial companies. The phases of internationalisation of an industrial company are the following:

- Exporting. 80% of companies are still in this phase.
- Sales office and possible product storage that enables better service.
- Licencing / contract manufacturing /co-manufacturing / joint venture
- Own production unit

Partnership. The gap between service provider and buyer companies has increased while the number of service providers has grown. Naturally the chances of meeting a buyer organisation are decreased and there is a need for special measures. Finding suitable partners for cooperation becomes tricky for both parties. Trade fairs have an increasingly important role. (Pirnes & Kukkola, 130)

Partnering in the UK requires a lot of effort and going through a list of phases. First, the company's business profile is introduced to the prospective partner, and then the candidates get pre-approved following by a written report from the service provider before cooperation can begin. (Pirnes & Kukkola, 130)

The following factors are considered when choosing a partner (Pirnes & Kukkola, 85-87):

- Product
- The market chosen for the product
- Company resources
- A new product requires a lot from the representative
- Value adding services: logistics, repair
- The partners knowledge of the market and competition
- Comparing services and the size of the partner

Most companies that Finpro works with enter the market indirectly through partnerships. Larger companies might enter the market directly. Finpro advises against taking a loan on large markets: “Loads of companies get beaten up by bigger companies and it takes up to year to get your first client. Burn rate of cash is high.” The appropriate route is likely to be partnership if competition is high inside the industry. Partnership is low risk when the right partner is found. Finnish companies tend to have marketing as an area of disability and a partner could do the marketing for you. (LeDain, 17.2.2014)

Fully-owned organisation. If the company sets up its own operations, direct sales are required. In other cases sales can be handled via other channels which are partnerships, telemarketing and internet according to Friedman (2005, in Salonen 2007, 183). These other channels involve lower costs whereas few organisations succeed without direct sales. Salonen does not know a single software company that has succeeded to overtake markets only by channel sales but Finnish companies usually think it is possible. If the retailer is only interested in selling the product or service, and does not offer support it causes problems especially when the vendible product or service is complex. (Salonen 2007, 183 & 210)

The aim of networking is to reach new knowledge and more affordable production model. As a part of a network the competitive position is better than by operating alone. The demand for knowledge intensive services has increased in OECD countries. The increasing competition adds the need to renew. The central competitive factors are speed, ability to evolve and innovation. This development increases the need for plan-

ning, development and research need and directly the demand for these services. (Pirnes & Kukkola, 200.)

Daughter companies. There are 400 registered Finnish companies in UK (Nevala 2001, 16). The most common ways for Finnish companies to set up a daughter company in the UK in practice are (Nevala 2001, 41):

1. with the help of a British law firm
2. company buyout
3. with the help of the company's own law department
4. with the help of the company's own law department in cooperation with a British law firm
5. with the help of both the company's own law department and a British law firm
6. company is set up buy the future UK accountants.

Export rings. Export rings are an organised a supported way of starting exports. The Finnish Ministry of Trade and Industry supports export also by organising export rings. The rings operate by hiring an export manager in the target country and consist of 4-6 similar companies. As a result the company learns weather the product or service fulfils international criteria and can continue from the project to set up their own operation. (Salonen, 2007, 210)

Virtual organisation. An agreement with a virtual organisation service provider allows the company to test the market with a lower risk. A virtual organisation has only a virtual presence in the target country such as a phone number and a postal address. A good option for SME technology companies with a world-class innovation, it allows companies to create markets and assess their level of interest towards the product or service. The benefits include smaller cost and risk than setting up an own office. On the other hand the juridical position is weak and clients might be lost if there are issues with trust. The primary function is acquiring clients that enables, once there is a sufficient client-base, to broaden the operations in the country. The company evaluates the service provider's ability to advance their product's or service's exports and usually tests the service provider with a short project at first. (Salonen 2007, 210)

There are barriers for export like competition, regulation and culture that are not always predictable. Therefore markets are tested by piloting and pivoting to make sure the investment on the market will be useful. Finpro provides projects for market entry. (LeDain, 17.2.2014)

5.2 Outsourcing

The definition of outsourcing is that a business gives an entity of operation for another company to take care of. The notion of outsourcing business processes that support the core functions is quite recent. By outsourcing one can achieve efficiency and flexibility, acquire new experience based knowledge and support development. First companies outsource production because of cost reasons and secondly functions where they do not hold enough expertise. Outsourcing increases by 25% a year with USA and Canada leading the way. Growing forms of outsourcing are HR, sales, marketing and office services in the USA while in the Europe they mainly are transport, financing services, ICT and websites. Pirnes & Kukkola, 217-219.)

In internationalisation it is wise to concentrate on the core competence and therefore outsource and position the product or service for the correct market segments and areas of operation. (Salonen 2007, 88) Rationally thinking outsourcing can save on costs. If the right third party is found it makes sense for companies to outsource their functions. Sales can be outsourced to a consultant or an agent. Depending whether the partner gets a provision of the sales or a stake of the company they commit to the company differently. The bigger client you are to the partner, the more they are interested in selling your product. (Lehtovuori, 14.2.2014) Outsourcing can save 40-70% of costs against employing an own in-house team (Goodwille).

Typically Finns want to do everything themselves. Non-critical functions to companies such as ICT, lawyers and accountant are more eagerly outsourced than critical ones. Serviced offices and hot desks offer a quick exit if the market doesn't work out or the company wants to take back the profit they made on the market. (LeDain, 17.2.2014) Finnish companies face similar issues in entering the UK market and are therefore potentially interested in outsourced market-entry and operational services are sales, com-

pany legal and auditing of accounts. Without legal services they cannot set up a legal entity without and even if they receive British investment contracts need to be drafted. (Lehtovuori, 14.2.2014)

5.3 Budget

First, one needs to find out how much money is required to get results in the target country (Pirnes & Kukkola, 157). It can take up to 150 000 euros just to make the background search and get the facts right. If you find a right partner operation costs can be very low. Finding the right partner comes down to relationships: the partner needs to be managed and supported which does not involve cost but requires time. In the market entry phase LeDain estimates a 50 000 initial budget for analytics and creating connections. (LeDain, 17.2.2014)

An office with hired staff can cost around 1 million pounds a year. If the company wants to hire a competent and suitable sales person, recruiting and screening candidates demands time and resources. It is important to include people with knowledge of the local market in your network. Inside Europe sales are easily managed from Finland but when you have many clients in the UK the situation should be reconsidered. (Lehtovuori, 14.2.2014)

A company needs a solid turnover on the background, which starts realistically from 2 million euros. Expansion requires commitment since business might not be profitable for the first few years but risks and costs still need to be covered. (Lehtovuori, 14.2.2014)

5.4 Timeframe

A company and an entrepreneur need to experience certain phases to have more readiness to expand internationally. The product and the location of the market have an effect on how long it takes to enter and establish on the market. Time required varies depending if the product is for example a mobile phone, a part of a mobile phone or a mobile service. Typically there is some external funding behind a project although it is possible to succeed by bootstrapping. Online sales do not need as much investment

since an online store can operate from Finland. On the other hand, clients still need to be acquired locally, which creates costs. (Lehtovuori, 14.2.2014)

Scouting the market can take from one to two months depending on the case. After scouting starts the search for contacts on the market. The timeframe for establishing on a new market also depends on the sales cycle. If the cycle is over six months creating a presence can last a long while. If there are no clients on the market yet, technical sales are required. A company also needs a solid turnover to start realistically planning a presence abroad. The execution process for creating a presence is one year in minimum. (Lehtovuori, 14.2.2014)

5.5 Organisations supporting and advancing internationalisation

Different organisations and service providers offer solutions for companies that are looking to expand abroad already in their home country.

5.5.1 Public Organisations

Public organisations in Finland that promote and support internationalisation:

Yritys-Suomi

Free website for enterprises and entrepreneurs. Provides information on public internationalisation services and links to service provider websites. (Vahvaselkä 2009, 42)

Finpro

Finpro aims to facilitate and speed up the internationalisation of Finnish companies. The organisation has a large, worldwide consult network and it operates in collaboration with other government institutions. Finpro provides free knowledge services and paid consulting and development services. Finpro is the official Finnish internationalisation and export organisation. (Vahvaselkä 2009, 42-43)

Finvera Oyj

Finnvera funds companies by granting loans, guarantees and export funding services. Finnvera is government owned and aims to advance the internationalisation of SME. (Vahvaselkä 2009, 43)

Tekes

Tekes helps companies to develop a business idea into a working business by offering funding and professional services. The Tekes research and development funding includes market and internationalisation research. Small and medium sized companies are offered preparation funding that can be used for researching internationalisation possibilities for example by conducting market, competitor or legal research. (Vahvaselkä 2009, 43)

ELY Centres

The Centres for Economic Development, Transport and the Environment are 15 local centres that provide internationalisation services for companies aiming to increase internationalisation. The risks of internationalisation are minimised with training and funding. (Vahvaselkä 2009, 44)

Ministry of Employment and Economy of Finland (TEM)

TEM grants industry specific funding for internationalisation. Export organisations and company groups can apply for funding their projects. (Vahvaselkä 2009, 44)

Fintra

Fintra helps Finnish SME's to respond to the challenges of global business by providing training for international business, mapping new markets, sales, marketing, communication and leadership. (Vahvaselkä 2009, 45)

Chambers of Commerce

The Chambers of Commerce provide international information, counselling and business connection services (Vahvaselkä 2009, 46). The status of the Chambers of Commerce in Finland is modest in size and influence.

Co-operative Viexpo

Viexpo operates in the area of Ostrobothnia in Finland and promotes export and internationalisation. The organisation provides information to internationalising companies and fact finding trips abroad. (Vahvaselkä 2009, 46)

Sitra

Sitra is a trust that provides companies in their early stages development and funding via its fixed-period programs. Programs can include investigation, strategic processes, trial schemes, development projects and funding. (Vahvaselkä 2009, 47)

5.5.2 Private Companies

In addition to public export organisations, there are private organisations that offer services to internationalising startup companies. Among others there are banks, law firms and partners such as distributors, agents and investors that work in Finland or in the UK. Private service providers often collaborate with public export organisations on some level.

PricewaterhouseCoopers

The company work with the Ministry of Employment and Economy of Finland and TEKESin regarding the “Nuoret Innovatiiviset Yritykset” or NIY investment program by coaching and coordinating. Collaboration extends to business angels and Finnish venture capital firms. PwC provides solutions for Go to Market challenges: client acquisition, getting international investment and operative and process development. The company also audits the accounts of some of their startup clients, provides legal and tax services as well as consulting. (Lauri Lehtovuori, 14.2.2014)

6 Method of Research

The material is gathered by qualitative methods to answer the research questions presented in chapter 1.3. Qualitative research is more subjective in nature while quantitative research is objective. Qualitative research was chosen to be the method of research to allow perceptions on the subject can be examined and reflected more easily. The research subject of the qualitative method is human behaviour that is then described, attempted to comprehend and interpreted. Qualitative research answers the questions when, why and how. Therefore the research is exploratory, descriptive and analytical. It describes the phenomena as it exists and analyses and explains the phenomena beyond describing it and aiming to understand it. (HH Ohje Sisältö; Collis & Hussey, 10-11 & 13)

The interview questions are open ended. To determine which questions should be included in the interview, a checklist for eliminating questions will be applied to all questions. To find whether the data is valid and reliable, the data will be estimated using the internal consistency method. Answers will be correlated with each other across the entire sample. (Collis & Hussey, 179-187, 254)

6.1 Gathering Material

The material was gathered by interviews either on the phone, teleconference or face to face. Interviews were recorded with permission of the interviewed person. Questions were prepared carefully in beforehand, but the interviews were semi-structured. That is also why they required a lot of time and answers were recorded so carefully. The same questions were asked and they were posed in the same way in all interviews. In this research interviewees were both Finnish and English speaking which required that questions were formed carefully in both languages to have the same meaning. (Collis & Hussey, 168-169) Questions could still be slightly altered from one interview to another, if it had no significance on the result or the type of the interviewed company specifically required it.

The interviews were divided into two sections by the type of organisations. The first group were the export organisations that account to a consultative interview. Their interviews can be seen as preliminary and general. The second group were the companies that are researched. In this case they were Finnish technology startup companies. While interviewing the first group I gathered contact details of suitable companies for the purpose of the second type of interviews.

Since not every startup company in the technology sector could be included in the research, a sample from the research target group was chosen. The sampling frame was limited only to companies that have expressed some level of interest on the market of the United Kingdom. The sample was chosen randomly and by chance and was six companies, an amount suitable for the purpose of the investigation. The sample was gathered from Finpro and an article in *Talouselämä* magazine.

6.2 Methods of Analysis

The research problem was approached using the grounded theory, in other words processing the research material to find possible regularities. The regularities are then analysed using different theories to draft informed interpretations. (Pitkäranta 2010, 56-57.)

Analysing qualitative data is challenging. One way of drawing conclusions of all the field notes is to find a systematic way of summarizing data, in other words reducing the data. Another way is to restructure the data to a suitable form for analysis. The third way to deal with the collected data is to turn it into a more suitable form by converting the text into diagrams and illustrations. The two first described ways were used in as a method of analysis. The data was summarised and collected under distinctive themes. (Collis & Hussey 253-254)

Methods of qualitative data analysis are quantifying and non-quantifying. Mixed methods are used throughout the analysis of the research. The basic method that covers all methodologies used is content analysis that is based on written and spoken content. Positivism handles the research material as quantitative by searching regularities while her-

meneutics are more qualitative and understanding. The research is qualitative and will be analysed using qualitative methods, therefore it is hermeneutic. Some of the questions that explore the background of the interviewee are quantitative. Some of the answers to qualitative questions might be transferred to quantitative form to divide the material into clear groups. (Collis & Hussey 253-254; Pitkäranta 2010, 77-78 & 117)

The research subject has different levels: language expressions, social structures, culture, history and creative expression. The researcher never interprets objectively but from their perspective and this was taken into account. Objectiveness was considered and the subjective factors that harm the universal application of the research were mapped. The results of the research should be able to be used and transferred to concrete actions or measures as they were. (Gadamerin, 2004 & Anttila, 2006 in Pitkäranta, 2010; Pitkäranta 2010, 37.)

The aim of the thesis is to analyse the interest of Finnish technology startups in the UK market. Interest is not measurable in itself therefore the researcher needs to find suitable operational concepts that can be measured empirically. Interest can be measured for example by the level of activity on the UK market and the effort taken to enter the market. (Pitkäranta 2010, 74-76 & 118.)

The process starts with describing the phenomena, classifying the content, combining the content and finally gathering and explaining the phenomena. The analysis of quantitative research is based on abduction, a process of reasoning. Based on the theory and the results of the research, a theory is formed. Analysing the interview material included certain phases: transcription of recorded and written interview material, finding central information and finally summarising the information by classification, themes, types and quantification. (Pitkäranta 2010, 124 & 126)

7 Results

The results are grouped into classes, themes, types and quantification and then analysed. In addition to the two trade organisations whose interviews formed a base for the research, six technology startup companies were interviewed for the research itself. There were clear themes that came up in various occasions that are grouped together in the following section.

7.1 Characteristics

The fact that all interviewed companies were technology startups narrowed down the range to a level where it was segmented enough to be useful for the purposes of the client company of the thesis. Therefore the interviewed companies had a lot in commons starting from the business model and operating model.

The technology industry is very broad and interviewed companies cover areas such as digital services and products in web and mobile, software for creating mobile applications, digital learning products, a high tech product and service for the sports industry and services for knowledge management.

The size and age of the companies varies as well as the maturity level. The interviewed companies have from 2 to 200 employees and a turnover of 68 000 to 20 million. The significantly largest company, Futurice, can no longer be classified as a startup due to turnover and age, but has previously been a startup which makes their experiences valid to a certain level and it be taken into notice. The most common size startup in the interview was between 20 to 40 employees with a turnover of 1 to 2 million. Most of the companies are five or under five years old to fit the startup definition, except for Futurice and Systencess that can still be classified as growth companies. In practice, the line of a startup company and a growth company is blurry, and some technology companies can get a slow start because of a long product development phase in the beginning.

All of the interviewed companies had their headquarters in Finland. No other foreign organisations were established yet with the exception of two offices in the USA, one in Berlin and one research and development site in Poland. In addition, one company has recently set up a company in the UK and is in the middle of recruiting employees for the local office in London.

7.2 Operations and plans abroad

This chapter covers the nature of operations of the interviewed companies abroad and in the United Kingdom as well as generally their interests, operations, clients and networks. All of the companies have made future plans on internationalisation.

10Monkeys started by visiting their industries most important trade show, the Bett Show, in London and launched their product for the UK market in 2013. They visit the trade show in order to meet clients and search for partners, such as resellers and strategic partnerships. The company has 20 000 end users in the UK and its clients are schools tuition centres and consumers. The company operates with a number of partners and is starting a new direct sales partnership in March 2014. (Björklund, 13.3.2014)

All of the interviewed companies have clients in the UK or at least Finnish client companies that operate in the United Kingdom and need to visit the country because of that. All the companies have entered the market for example because they have local clients or have tried to enter the market by conducting market-entry projects. Some companies are using serviced offices and some stay in client or partner offices while visiting the UK. One of the companies is renting their own office and set up in the UK.

Many of companies have sales representatives or agents and in many cases more than one agency working with them at once. Other companies feel like their online sales are enough to cover the British market and do not have a representation in the country.

The companies have ambitious plans for internationalisation from the very beginning.

10Monkeys wants to build a globally known brand and take Finnish education expertise abroad and since they got a flying start in the UK they will invest in the country full-on, which also means they might set up an office in the country in the future (Björklund, 13.3.2014). Bitbar wants to grow 100% yearly and establish a sales organisation in the USA. (Kaasila, 5.3.2014) Futurice plans to establish at least one new office abroad next year and increase the turnover from abroad. (Hämäläinen, 21.3.2014) An anonymous source will concentrate on strengthening the company position in their key markets, one of which is the UK and entering new markets in retail with their consumer product. The market in the Nordics is small, so Qvik concentrates on scaling operations. (Tuominen, 2014)

In general, companies see there is no significance in which location they operate since products and services are global. The product might for example be completely digital. Companies with other products than digital ones or that mainly provide services need a location close to the clients. London feels like a central location to many companies. USA might be chosen because it is the main market for the company's industry or for the partners and the purpose of business development. (Björklund, 13.3.2014; Kaasila, 5.3.2014; Hämäläinen, 21.3.2014)

One interviewed company pointed out, that there are three locations where it needs to be to become truly international: Silicon Valley, London and Germany or Switzerland. (Tuominen, 2014)

All the interviewed companies are already selling abroad except for one. Often the largest markets outside Finland are the USA, the UK and Germany. Other countries mentioned were Switzerland, the Nordic Countries, other parts of Europe, Saudi-Arabia, Latin America and Australia. Some companies define the United Kingdom as their main market.

7.3 Motives and barriers for internationalisation

Some of the businesses are about volumes. The unit cost of an app is low so even if the whole target group in Finland would start using the app the business would remain relatively small. Some companies don't have a clientele in Finland or only a very small

market. If the product is very specific it is likely to have only few potential clients in Finland and once the potential is reached it is time to go abroad. Also, regards to the mobile business, the Finnish market is much more fragmented than other because Nokia is from Finland and therefore the clientele is very different. Investing abroad in the field has a high return rate. (Björklund, 13.3.2014; Kaasila, 5.3.2014; Anonymous, 7.3.2014; Tuominen, 2014)

One of the interviewed companies expands internationally not only to achieve growth but also to offer their top-notch employees more challenge and options. (Hämäläinen, 21.3.2014)

Internationalising startup companies face different kinds of barriers that need to be overcome. They don't necessarily know the market they try to enter as well as required for successful operation. 10Monkeys confronted a challenge of knowing the market well enough, including whom to sell the product for. Depending on the school, municipality or government, the decision maker can vary. (Björklund, 13.3.2014)

Lack of funding for internationalisation provides its own challenge which can be confronted with creative solutions (Kaasila, 5.3.2014). Small, insufficient size forms a barrier as well as young age. Startup companies are minor in a global scale and young companies need more business outlook. Startup companies are unknown and therefore have reliability issues (Tuominen, 2014; Tahvanainen, 5.3.2014)

The challenge of being global and local at the same time is present. Clients want to know, that the product is suitable for their environment and country. Some companies see, that without a significance presence in the market it is hard to get the product out there. In retail, working from Finland with stores in the UK that have signed agreements won't work. Others solve the problem of being local without setting up their own presence but for example working closely with local partners. (Anonymous, 7.3.2014; Björklund, 13.3.2014)

7.4 Reasons and barriers for operating in the UK

Common reasons for entering the British market:

- Language
- Gateway to the USA
- Developed technology
- Centre for investment
- Centre for various fields: media and advertising, marketing etc.
- Company already has British clients
- Gaining credibility globally
- Largest European market
- Geographically close
- References

The UK is widely seen as the centre of commerce and the largest market in Europe and the market acts as a gateway to the USA. Some of the largest trade shows in the field of technology are organised in the country. A UK presence gives a more reliability and a look of an international firm. (Hämäläinen, 21.3.2014; Björklund, 13.3.2014; Tuominen, 2014)

All the interviewed companies already had clients in the UK, so it was natural to expand on the market further. Futurice specified that they need to have clients in the market before they consider setting up a local business in the country (Hämäläinen, 21.3.2014). For Bitbar, exporting to the UK was triggered by local existing clients and potential investment. They don't have local partners, solely online sales that reach the UK. (Kaasila, 5.3.2014).

All technological requirements for business exist since the UK is technically advanced. The market allows competing with quality rather than price. (Tahvanainen, 5.3.2014; Björklund, 13.3.2014)

English language makes is one reason for companies to expand to the UK. Many Finnish companies have English as the organisation language and a common language makes it easier to operate. When the language barrier is not there, approaching potential clients directly is possible. A common language benefits marketing, since branding material does not need translating. (Björklund, 13.3.2014; Tuominen, 2014, Anonymous, 7.3.2014)

The UK is geographically close to Finland. Some of the companies chose the UK rather than the USA because of the long distance to America. (Tahvanainen, 5.3.2014) Also, for some companies the UK is the easiest market to enter because of these reasons. British clients act as a good reference for other markets. (Tuominen, 2014; Tahvanainen, 5.3.2014; Anonymous, 7.3.2014)

Common barriers for entering the British market:

- Highly competed market
- Not necessary to be on the market
- Geographical distance it too long
- Lack of funding
- Choosing between attractive markets

The UK market is regarded as a hard market due to high competition. Other, also foreign companies, have noticed the market potential in the UK and the market is crowded with products and services in most sectors. Then again, the upside is that potential clients and partners have already heard of a similar product and know what it is. (Tahvanainen, 5.3.2014; Björklund, 13.3.2014)

Even if there were British clients, it is not always necessary to operate in the country. Bitbar sees no reason to have an actual presence in the United Kingdom. The company has online sales, their support is located in Finland and the research & development department in Poland. (Kaasila, 5.3.2014)

From a very practical point of view, Anonymous described the UK market having the same issues as in every market the company goes to. For the product, there is nothing that would make the UK particularly easy or difficult. (Anonymous)

Regardless the short distance, the market is still too far for travelling from Finland. For Qvik the presence on the market, especially client support, is insufficient. Setting up a presence is ultimately an issue of cost and while the turnover from the UK market is not large enough, they will not set up in the country. Moreover, other markets, such as the USA, have proven attractive so markets need to be prioritised. (Tuominen, 2014)

7.5 Investment

All of the interviewed companies that have or are interested in external funding have or are looking for British venture capital or are planning look for it when the time is right. According to Kaasila, 5.3.2014, the location of the company in Finland was not an obstacle for British investors.

Other companies are not interested in investment and prefer grow organically. The fundament at Qvik is to do profitable business from day one (Tuominen, 16.3.2014). Nearly always there still is Finnish public funding on the background of the company, taken in the early phases and usually directed to product development. The only investment Qvik has received is 45 000 euros from TEKES for product development (Tuominen, 16.3.2014). Anonymous, 7.3.2014 is currently searching for investors in the UK and meeting with venture capital firm.

7.6 Strategy and Market Entry Mode

Company strategies vary depending on the company; therefore they are presented in the thesis as company-specific cases that are based on the interviews.

10Monkeys started the expansion to the UK by acquiring partners. After that, the company attended a trade fair in London in their field where they launched their product for the UK market. At the same time they launched a partner search with Finpro and met up with the potential partners. They chose a few partners to work with. From

the same tradeshow the next year they found a sales agent to work with and are currently setting up a sales team that tours schools. The company operates with established companies who already have sales channels or know how to build them.

10Monkeys does not have their own sales organisation yet, since they do not want to "invent the wheel again". Client support is located in Finland and the next step is to provide local support including a local telephone number and website. The company wants to perform market entry quickly, since the market is booming, and no time can be wasted on learning to do things themselves. A potential market is large, technically developed, has a private sector and a widely-used language, since products need to be translated. But the most important factor that defines the market is a suitable partner. If it is not found, then the time is not right for market-entry. Sometimes the company uses consultants to find information and potential partners on the market. (Björklund, 13.3.2014)

Bitbar sells their products online for clients all over the world. The target markets are chosen by the size, but clients from markets like India and China are seen as problematic and are not approached. Marketing is not directed at certain countries. Bitbar received 1000 inbound leads a month globally and has clients in 30 different countries. All marketing material is only in English and it is not localised in any way. The company has a sales organisation in the USA but the UK market can be covered from Finland. (Kaasila, 5.3.2014)

Furutice sets up on a market where they already have clients. The market needs to have a suitable ratio of cost level and sales price for product for the business case to work and a high-level workforce for recruitment. First the company sends a small team of Finnish employees to work on a client project and after that, if there is potential for more sales, they set up a plan for opening an office in the country. One team member takes care of selling to the market. Furutice set up a company in the UK and is moving from a serviced office to a rented office in April 2014. At the moment, they are also considering of opening an office in Switzerland and they have already sent a team there. Their operation model abroad focuses on creating a brand, sales and marketing including client care process and developing client business. Production remains in Finland. (Hämäläinen, 21.3.2014)

Anonymous company bases decisions of market-entry purely on the size of the market. As soon as the product was ready, they started selling it online with a heavy marketing campaign on the UK. They initially tried selling the product on their own in the UK by reaching out to potential clients, taking part in events, using references heavily and visiting retail locations trying to get the product on the shelf. The independent way of operating didn't work so well as they had hoped and they discovered that the market is more complex. As a result, the company hired other companies with market expertise to represent them. Altogether, they work with two agents, one of which is doing very well. They are going to concentrate exclusively on the representative with the better results. "We don't have the expertise sales agents have, 10 years from the particular market. It doesn't make sense to start competing with them." The company invested heavily in training, planning and strategizing the agents and training took one year to do. Their product is one of the several products the representatives are representing but they are putting a lot of time and effort into the product. (Anonymous)

Qvik enters markets that their clients are focused on, since the end users are located there. Also, the return for the investment on the market defines where they go. Currently the company is shifting towards setting up a presence in the United States but all depends also on human relationships and discussions which leave room for coincidence. Although clients are important; Qvik entered the UK market ultimately to learn about internationalisation and how to do business on international markets. They expanded their client base abroad in 2011, which is three years after it was established. Now that they have learned about internationalisation the next step is scaling the business. Their operation model abroad concentrates on commercialisation, brand, sales and marketing which means a client care process in the United Kingdom. Production is done in Finland. (Tuominen, 16.3.2014)

Systencess has international clients in Finland and has experimented the UK market a couple of times using market entry projects from Finpro. The UK market is seen as potential, and was therefore chosen for market entry. Systencess starts operations on external markets by finding partners and marketing. Acquired leads are then contacted by a telemarketing campaign. (Tahvanainen, 5.3.2014) As an entry mode to the UK

Systencess would use a sales organisation and cover the costs with existing clients. (Tahvanainen, 5.3.2014)

7.7 Timeframe

Many technology startup companies are born global, especially when they produce digital products or services. They start selling their products and services globally right from the start as soon as the product is ready or look for foreign investment. The domestic market is then used for piloting products and business models. Most of the growth and revenue comes from abroad or that is at least their aim.

Born globals do and plan everything for the global market from the beginning. The end user can be anywhere in the world. There is no significance in which location born globals operate since products and services are global. (Tuominen, 16.3.2014)

Companies can start internationalisation at a certain phase or size, not so much a certain age since they all have different backgrounds. For some it is the launching of the product for example at an international trade show and for other internationalisation starts at the same time as the product is developed or even right away when they are set up. Many companies have had foreign clients while still operating from Finland. (Björklund, 13.3.2014, (Hämäläinen, 21.3.2014)

Establishing or setting up a presence on the market takes a while. It took around two years for Futurice to set up their own office with local employees (Hämäläinen, 21.3.2014). For Anonymous, setting up a successful cooperation with sales agents took one year including training and other arrangements (Anonymous, 7.3.2014). The sales cycle depends widely on the industry. 10Monkeys acquired their first British client from a cooperation with Finpro and it took a few months to close the sale (Björklund, 13.3.2014).

Different kinds of market entry projects can last for a variable period of time. Systencess had a project with the Finnish Centres for Economic Development that lasted for one year and another one with Finpro for a few months but that included a one year application period (Tahvanainen, 5.3.2014)

7.8 Budget

Budgeting was included in the research to discover the amount spent or available for internationalisation and the scale of country specific budgets. Since only one of the companies has set up a UK company, spending reserved for the United Kingdom is not so clear.

Funds for internationalisation come from different sources. There can be an overall budget for operations while it often isn't divided into country specific budgets. "Perhaps in the future [there will be] a UK specific and Germany specific budget." (Anonymous). "There is no clear budget for internationalisation and no country specific marketing or operations budgets." (Kaasila, 5.3.2014). In other cases the marketing budget can be reserved in its whole for internationalisation (Björklund, 13.3.2014). The budget for a foreign operation comes from the clients on the market. When money comes in from the market, it is directly spent to develop the presence on that market (Hämäläinen, 21.3.2014). At an early stage of market entry campaigns are usually ad hoc, which means they haven't been planned beforehand nor included in a budget (Tahvanainen, 5.3.2014).

According to an estimate, Futurice has spent half a million euros for marketing and new offices last year. The sum includes a serviced office in London and Switzerland, both consisting of Finnish employees at the moment. (Hämäläinen, 21.3.2014) Qvi invests 400 000 – 500 000 euros on internationalisation and an international outlook yearly including client acquisition and foreign operations. Compared to the figure a significantly larger turnover comes from abroad. (Tuominen, 16.3.2014)

Companies explain their approach to budgeting by it being a practice that quantifies business and provides safety but simultaneously restricts operations. Budgets are short sighted plan and businesses should plan further. (Tuominen, 16.3.2014) The flexibility in budgets gives agility and startup companies need to have agility in order to develop their innovation faster than competitors and to grasp opportunities (Aaltonen, 2013).

Most of the companies haven't hired employees on foreign markets yet. One of the companies is planning a sales organisation in the USA where they would hire local staff. The same company also has a research and development organisation in Poland where they have hired local employees. (Kaasila, 5.3.2014) An other company is starting a recruitment process for their new office in London. (Hämäläinen, 21.3.2014) One company has an office with ten people in the USA because the market is larger but they are not planning to hire staff in the UK. (Anonymous, 7.3.2014).

7.9 Asking for help and support for internationalisation

Many of the interviewed organisations were contacted through Finpro, so consequently all of those have used Finpro services. Hence, in this section companies will be divided to those, who were contacted through Finpro and those who were contacted from other sources.

10Monkeys started their market entry to the United Kingdom by testing the market with Finpro. The commercialisation project went well and the company reads the UK as one of their main market. In addition to Finpro they have met with UK Trade and Investment for a few times and feel like they could work with them more closely when the time is right. (Björklund, 13.3.2014). Futurice has done a couple of small projects with Finpro and in addition to the UK they have worked with them also in Germany. The company is looking for a party that could genuinely and concretely help them develop sales in the UK. (Hämäläinen, 21.3.2014) Qvik has conducted a set of projects together with Finpro. They have also worked with TEKES and the Centres for Economic Development in Finland. In addition to public support they have people from within the industry as advisors for the company and many of them are located in the UK. (Tuominen, 16.3.2014). Systencess carried a project with Finpro but have received help from other Finnish public parties: the Centres for Economic Development, Forum Virium by the Helsinki City and TEKES. (Tahvanainen, 5.3.2014)

Other companies that are not connected to Finpro have not sought for any kind of help from export organisations. Bitbar has received support from Google who have invited them to join their events and all contact have been made by themselves. Indus-

try trade events play a central role. (Kaasila, 5.3.2014). The Anonymous used to have a marketing consultant in the UK that did marketing in the country with an emphasis on PR which is in this case magazines and events.

7.10 Outsourcing in the UK

Companies outsource a variety of supporting functions abroad but, especially in the UK, very rarely core functions like production.

Four out of six interviewed companies have a sales partner. The companies who work with sales partners usually have more than one partnership. Sales partners that came up in the interview were agents and consultants. Consultants are used more on ad hoc bases and which type of partner is used is determined case by case. A sales partner usually knows the industry of their client very well. 10Monkeys provides digital learning tools and has a sales partner that is specialised in edu-ict (education ICT). (Björklund, 13.3.2014; Hämäläinen, 21.3.2014). After building a sales partnership, the next step seems to be setting up local client support for example in the form of telephone service and a UK website (Björklund, 13.3.2014). Marketing globally is often done centrally in Finland. Some companies hire a local British marketing consultant for projects.

Bookkeeping is usually done in countries where the company is registered as a company. Bitbar has outsourced bookkeeping in the USA, Finland and Poland (Kaasila, 5.3.2014). Also Futurice, who are currently setting up an office in the UK, would outsource company legal and bookkeeping for a local party (Hämäläinen, 21.3.2014). Other organisations with no offices in the UK see that legal services are unnecessary and they have not been purchased. Some companies that are not an established company in the UK, there is no need for UK legal advice. Others feel that the legislation and culture is so different in the UK, especially how the British are careful with contracts, that they use legal help to draft them although not an established company. (Kaasila, 5.3.2014; Anonymous 2014, Björklund, 13.3.2014)

Only one of the interviewed companies, Futurice, has their own rented premises in the UK where they are moving at present from their previous location in a serviced office

(Hämäläinen, 21.3.2014). Other companies have premises they can use while visiting the United Kingdom. These include partner and client locations and serviced offices. (Tahvanainen, 5.3.2014, Tuominen, 16.3.2014). If a local company were to be established, most would use a third party to help with recruiting. Futurice is in the middle of recruiting local personnel to their new office with the help of a local third party (Hämäläinen, 21.3.2014).

In the future, once companies develop their presence, they imagine that they would need services like sales, client service and support, marketing, bookkeeping and recruitment. Myynti ja asiakaspalvelu. (Björklund, 13.3.2014, Hämäläinen, 21.3.2014)

When it comes to choosing a service provider, some companies will turn to trade organisations such as the Finnish-British Chamber of Commerce who have a long list of members and partners who provide for instance premises and legal support. (Tahvanainen, 5.3.2014)

Companies want to develop their sales in the UK in practice on need advice from parties that know the market and have a network. There are issues also with managing customerships from a distance from Finland. Companies that haven't established a UK company or a strong presence struggle with how to make things happen while there is no concrete presence. To many, it doesn't make sense to hire full-time personnel in the country. (Hämäläinen, 21.3.2014, Tuominen, 16.3.2014)

8 Conclusion & Development Ideas

The outcome of the thesis includes:

- Results of the market research
- Evaluation of the target group

Based on the conclusions I will present the market and target group as it is and provide a theoretical basis for the creation of a strategy on market-entry and marketing for Goodville in Finland.

In the theory section it is stated that companies are interested in internationalisation but that the number of growth companies is low among SME's in Finland. In the results of the research imply that the target companies are willing to grow by marketing globally and establishing partner relationships but aren't that eager to set up a presence if the market area is not a significant source of turnover. The material used as a base for the theory is a few years old and can already be outdated since attitudes and practice are changing and this change has already been identified in previous literature. Technology startups regard themselves as born global.

According to the theory section, the home market conditions push small companies that operate in a market niche to extend abroad. Whereas traditionally Finnish companies start by expanding to neighbouring countries, the EU offers short distances and a single market. But as a result of globalisation and depending on their industry and business model companies are increasingly looking at further markets such as the USA and China (LeDain, 17.2.2014). Therefore there is no guarantee that the UK is interesting to all businesses and the actual rate of Finnish companies that establish in the UK is from 5 to 10 %. London is a centre for media, marketing and finance and draws companies that operate in those areas, which is a fact verified by the research.

Another reason for setting up in the UK is the need for local funding (LeDain, 17.2.2014). The growth that startup companies aim for can be achieved by external investment. Finnish investment can still, despite recent improvement, be scarce and the UK provides more opportunities. Still, according to the research, many companies only

have Finnish, usually public, investment or they fund their international expansion with sales.

Different theories are used to explain international success. It can be viewed as inner and outer factors such as marketing measures that are sufficient for success, learning process that leads to internationally expanding operations, resources and their development or network of relationships between companies. (Vahvaselkä 2009, 20-21) Finnish companies face challenges especially regarding sales and marketing due to lack of knowledge and allocated resources. (Salonen 2007, 173)

International markets can be approached opportunistically by going to the location and trying to create business by creating contacts, by buying a business from the target market or partnering up or by building your own organisation. The opportunistic approach is described in the theory section as having the worst results of all approaches. According to the research opportunities are sought by startups and seized when they come up. Working with a partner that is unfamiliar and who does the same thing as you includes a risk but when the approach is successful, growth is significant. The results of the research imply that then companies that have progressed to partnering are either happy with their partners or unsatisfied and searching for new ones. Building your own organisation is the most expensive alternative and as well more slow and risky. It is a suitable approach only if there is funding from an equity investor or other party that can afford to take risks. (Salonen 2007, 139) The research shows that companies shy away from setting up their own organisation until they have a stable client-base in the country that allows them to establish in the country with a lower risk. These companies are usually older and larger startups.

The time-aspect of establishing on the UK market depends on the company industry and product. The company needs to reach a certain level of readiness for it to establish on a foreign market. Readiness can be measured according to the theory section by the size of the turnover. (Lehtovuori, 14.2.2014) The research shows that companies that sell their products or services online have acquired foreign clients with very little commitment and low budget. Since marketing is done online potential clients can be reached around the world. Only when looking for a partner it requires time and travel-

ling to the target country and once there is a healthy client-base businesses start looking into establishing their own operations or they continue working with partners. If a startup works with an export organisation on a market-entry or scouting project is requires a lengthy application period to the project and the project takes a set time.

Non-critical functions to companies such as ICT, lawyers and accountant are more eagerly outsourced than critical ones. Serviced offices and hot desks offer a low-risk and affordable way to test the market. (LeDain, 17.2.2014) The research shows that companies almost invariably outsource sales to a local partner. Companies estimate that if they set up on the market they will require accounting and legal services. Legal services are also needed before setting up if critical contracts are involved regarding British clients or investment.

The findings relate closely to the theory section. Some of the information used as the theory base is a few years old and changes in attitudes can happen quite fast. Also, the sources that form the theory also include governmental export organisations. Since the research companies work closely with these institutions both are affected by each other. Companies search for service providers via trade organisations, who create lists of companies.

There were 668 growth companies in Finland during years 2007-2010. The definition of growth company is set by OECD and Eurostat. Growth companies have a significant role in creating employment. Over half of the growth companies are less than ten years old, which does not fit the OECD and Eurostat definition for age, that has been set at ten years and more, but could easily placed in the startup category. The portion of growth companies is large within knowledge intensive services and lowest in high-tech industry branch. Geographically 46% of growth companies operate in the Uusimaa area around Helsinki in the south of Finland but there are growth company hubs also in Pirkanmaa, Central Finland and South Savo areas. (TEM 2012, 9)

Technology startup companies are a strong target group because of their intentions for internationalisation and their requirement for external investment. Finland has 668 growth companies, out of which half have less than 10 employees and can therefore be

considered as startups. As earlier presented, an estimation of 5-10% of these companies will establish their own operation in the UK. Altogether 10 to 40 of these companies end up building an operation in the UK. Most of them are knowledge intensive service providers.

In Finland there exist various organisations and companies that support start-ups and internationalisation. By establishing and strengthening connections to these organisations and by understanding the way Finnish start-ups function, their budget and their strategies, Goodwille increases the chances of successful business in Finland. The subject is important and actual for Goodwille since it has recently shifted its interest into providing services especially for fast growth companies in the UK and abroad. Goodwille has already started discussions with British venture capital companies that can cooperate by referring their clients to use their services. Finnish venture capital companies could be the next step for cooperation. Having spent more than a decade building up an extensive network Goodwille has the advantage of being able to connect foreign companies to people that they can trust to help them started in the UK. The extensive network should be used in marketing, since especially companies with an opportunistic strategy base their internationalisation on business connections.

Goodwille provides a variety of services that are required when entering the UK and also operating in the country. Based on the research, there are two potential ways of operating regarding Finnish prospects and clients. The first suggestion is that Goodwille would act as a British counterpart for Finnish export organisations and would offer similar services such as projects for testing the market that can be built by wrapping up already existing services such as networking services and virtual organisations and perhaps combined with events and trips to meet British potential sales partners. The second suggestion is to take a sales agent approach and providing additional services such as bookkeeping and company legal under the same brand.

9 Evaluation

The evaluation of the thesis includes the whole process from planning to implementation, analysis and the usability of results. A qualitative research should be evaluated by its credibility, transferability, dependability and conformability.

The interviews provided in depth information on the subject studied but the results cannot be generalised to apply to all technology startup companies but they give indication and a cross-section of the group. The reliability of the research improved due to careful written notes, recording of the results and light transcription of all interview material. Interview questions were properly understood. Also, the attitude of the interviewees was positive and they were interested on the subject and wanted to learn more about other Finnish startups in the UK.

The planning, implementation analysis and results of the thesis form a consistent entirety. They were planned and described well in beforehand that also increased the reliability of the research. The results were nevertheless affected by the fact that to ensure that companies had some activity or interest towards the British market the sample for the research was acquired mainly through Finpro and therefore all those companies had worked with Finpro to some extent.

The credibility of the results is high since all central concepts were explained to the interviewees and also the definition of concepts used in the thesis were modified and clarified based on the significance interviewed companies gave them. The transferability of the thesis could apply to some extent to other markets than Finland but the results are affected by cultural and environmental factors. The results could also apply to Finnish technology startups expanding to other markets than the UK excluding the motives that only apply to the UK. How Finnish startups operate overall and may apply if the startup company represents another field than technology.

The dependability of the thesis is affected by the clear link most of the sample companies had to the Finnish trade organisation Finpro. Conformability is strong, since all major theory parts are in line with the findings of the thesis research.

I learned to search for information and combine the business world with theories and knowledge I learnt in school. During the projects I learnt how to solve business problems and how to work on a development project. Also, creating and sustaining contacts with the interviewed companies and other involved parties is an important skill. Evaluating information critically, working steadily and systematically towards a set goal.

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Attachment 1. Interview Questions in English

Background Person <ul style="list-style-type: none">- Name- Company <ul style="list-style-type: none">- Name- Size<ul style="list-style-type: none">o Number of employeeso Turnover- Age- Does the company have any activity in the UK at the moment? (interest, operations, clients, network, investors)- What kind of services or products do you market abroad?- Which foreign markets are the largest for you?- Which location would you consider ideal for business?- What plans and goals do you have regarding internationalisation?
Motive for internationalisation <ul style="list-style-type: none">- Motivation for internationalisation or export?- Barriers for internationalisation or export?
Motive for starting business in the United Kingdom <ul style="list-style-type: none">- Motivations for doing business in the UK?- Barriers for doing business in the UK?
Strategy <ul style="list-style-type: none">- How do you select new markets?- How do you start on the market (e.g. exporting) and how does the operation evolve?- Which Market Entry strategies would you use or have you used in the UK?

<ul style="list-style-type: none"> - Which external parties have you asked for help or support regarding international expansion and market entry?
Timeframe <ul style="list-style-type: none"> - When did you start expanding abroad? <ul style="list-style-type: none"> o Was it a certain size age or phase? - How long does it take as a project for the company to establish on a new market?
Budget <ul style="list-style-type: none"> - What scale is your budget that is reserved for internationalisation and international operations? - How is it divided e.g. country-specific budgets? - Have you hired local in-house employees?
Outsourcing <ul style="list-style-type: none"> - What kind of services do you outsource that are related to international operations or internationalisation? - Do you use a Finnish or a local service provider? - What kind of services are you interested in outsourcing? - What kind of problems have you encountered in the UK?

Attachment 2. Interview Questions in Finnish

Taustakysymykset Henkilö <ul style="list-style-type: none">- Nimi Yritys <ul style="list-style-type: none">- Nimi- Koko<ul style="list-style-type: none">o Työntekijöiden määräo Liikevaihto- Ikä- Toimistot ulkomailla - Onko tällä hetkellä toimintaa Iso-Britanniassa? (kiinnostus, toiminta maassa, verkostot, asiakkaat)- Minkälaisia palveluita tai tuotteita markkinoitte ulkomaille?- Mille markkinoille on pääasiassa vientiä?- Mikä on mielestänne ihanteellinen sijainti juuri teidän liiketoiminnallenne?- Minkälaisia suunnitelmia ja tavoitteita teillä on kansainvälistyä?
Kansainvälistymisen motiivi <ul style="list-style-type: none">- Motiivit kansainvälistymiselle tai viennille?- Esteet kansainvälistymiselle tai viennille?
Motiivi liiketoiminnan aloittamiselle Iso-Britanniassa <ul style="list-style-type: none">- Motiivit liiketoiminnan aloittamiselle Iso-Britanniassa?- Esteet liiketoiminnan aloittamiselle Iso-Britanniassa?
Kansainvälistymisstrategia <ul style="list-style-type: none">- Miten valitsette uudet markkinat (maat)?- Mistä toiminta alkaa (esim. vienti) ja miten se kehittyy?- Minkälaisia entry- eli markkinoillemenostrategioita käyttäisitte tai käytitte Iso-Britanniassa?- Miltä ulkopuoliselta taholta olette pyytäneet/pyytäisitte tukea ja apua kansainvälistymiseen ja markkinoille menoa varten?
Aika <ul style="list-style-type: none">- Missä vaiheessa aloititte kansainvälistymisen?<ul style="list-style-type: none">o Koko, ikä, muuv aihe?- Kuinka kauan markkinoille etabloituminen projektina keskimäärin

kestää?

Budjetti

- Minkä suuruinen budjetti teille on varattu vuosittain kansainvälistymiseen?
- Miten se on jaettu, eli maakohtaiset budjetit?
- Oletteko palkanneet kohdemaassa henkilöstöä?

Ulkoistaminen

- Minkälaisia palveluita ulkoistatte ulkomaille etabloitumisen yhteydessä? Ydinosaaminen?
- Hankitteko palvelut Suomesta vai kohdemaasta?
- Minkälaisia palveluita olette kiinnostuneet ulkoistamaan ulkomailla?
- Minkälaisia ongelmia olette kohdanneet Iso-Britanniaan?